



MEDICAID AND THE ECONOMY

○ The Current Economy and Health Care

- Georgia now faces a projected \$1.6 billion to \$2 billion revenue deficit. And like other states across the nation, Georgia faces the challenges of increasing health care costs that are growing at a rate faster than our state revenues and faster than the average individual's wages.
- The Georgia Department of Community Health anticipates a corresponding rise in people losing health insurance and people seeking assistance from government health care programs.
- Health insurance premium costs in Georgia have increased by 65 percent and employer sponsored health insurance in Georgia declined by 7 percent from 2000 to 2006. Meanwhile, enrollment in taxpayer-funded government health care programs has grown as working families are unable to afford health insurance.
- Out of nine million Georgians, 38 percent are enrolled in taxpayer-funded government health programs including Medicare, Medicaid, PeachCare for Kids™, State Health Benefit Plan and military health care. Approximately 17 percent of Georgians are uninsured.
- The lack of affordable health insurance and the high cost of health care have contributed to the shift from private sector health insurance coverage to tax payer funded government programs.
- Medicaid is serving as gap insurance for the underinsured, reinsurance for those suffering catastrophic illness, and coverage for those with chronic illnesses unable to access to affordable health insurance options.

TOP 20 EMPLOYERS OF PEACH CARE FOR KIDS™ FAMILIES

Companies	Total
Walmart	7,727
Shaw Industries	3,042
Mohawk	2,724
Publix	2,573
Kroger	1,691
McDonald's	1,622
Home Depot	1,597
Construction	1,595
Waffle House	1,317
Target	1,147
U.S. Postal Service	1,146
Lowes	1,125
Bank of America	1,035
Grady Health System	864
Burger King	798
Northside Hospital	657
Kelly Services	596
Self-Employed	35,500

* As of the August 2008

Georgia Medicaid and PeachCare for Kids™

Today the Georgia Medicaid Program includes:

- Children in low income families – The eligibility cut off varies by a child's age but the maximum a family can earn and still qualify for Medicaid varies by age. For a child age one up to six, the income limit is \$23,000 a year for a family of three. For a child age six up to 19, the income limit is \$17,000 a year for a family of three
- Adults who are aged, blind or disabled – These individuals have very low incomes up to \$3,804 a year. They are typically dependent on Social Security Income (SSI). These individuals typically

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have no earned income and have access in total to less than \$2,000 in resources

- Pregnant women and their newborns – Women that have annual incomes that are up to \$35,000 a year for a family of three.
- Special Needs – Like other states, Georgia also has special needs programs providing assistance to individuals with severe chronic illnesses or conditions. For example:
 - Georgia has Medicaid waiver programs for people who have severe traumatic brain injury, people who have pronounced developmental disabilities or mental retardation. The individuals receiving assistance in the waiver programs have a severity of illness that meets level-of-care criteria. These individuals are usually dependent on SSI.
 - Special eligibility categories like Katie Becket provide assistance in health care coverage for children who are severely disabled and meet an institutional level-of-care.

Twenty-six percent of the children enrolled in Medicaid have parents who are employed but are not offered sponsored coverage or unable to afford what is offered. Twenty-one percent of members have commercial health insurance but seek government program assistance when their costly health care needs are not covered sufficiently by their private plan.

PeachCare for Kids™ provides low cost health insurance to children in working families. The annual income for 91 percent of these families is under \$35,000 a year for a family of three. They are either not offered employer sponsored health insurance or cannot afford what is offered by their employers.

Health Care Cost Management Efforts

Like other states, DCH programs have implemented a multitude of cost controls, disease management, utilization review, eligibility verification and fraud recovery efforts. Simultaneously, the department is also working to ensure that the care provided will improve the health status for the individual program members and health outcomes of the population as a whole. To that end, the department's annual program expenditure growth rate is 6 percent and DCH's annualized administrative costs remain low at 4 percent. Below a list summarizes the key initiatives:

FY 2004 -2005 MEDICAID/PEACHCARE COST MANAGEMENT INITIATIVES	FY 2006 MEDICAID/PEACHCARE COST MANAGEMENT INITIATIVES	FY 2007 MEDICAID/PEACHCARE COST MANAGEMENT INITIATIVES	FY 2008 MEDICAID/PEACHCARE COST MANAGEMENT INITIATIVES
<ul style="list-style-type: none">• Pharmacy Program Management<ul style="list-style-type: none">• Preferred drug list• Supplemental rebates• Quantity limits• Outpatient hospital reimbursement reduced• Radiology Services Review	<ul style="list-style-type: none">• Care Management Organizations Statewide Capitated Program for Low Income Medicaid - June 2006• Disease management for select aged, blind, and disabled members• Eligibility Criteria more stringently applied• Emergency Medical Assistance• Katie Beckett (FY 2005)• Proof of citizenship and income verification• Asset transfer for long term care• Medicare Part D implementation	<ul style="list-style-type: none">• Administrative services for non-CMO members<ul style="list-style-type: none">• Level of care determination• Clinical Reviews• Medicaid Program Integrity<ul style="list-style-type: none">• Fraud and abuse detection• False Claims Act• PeachCare for Kids™ enrollment freeze in effect between March 2007 to June 2007	<ul style="list-style-type: none">• Review and removal of duplicate Medicaid IDs• PeachCare for Kids™<ul style="list-style-type: none">• Instituted enrollment cap of 295,000 members• Eligibility criteria more stringently applied• Proof of citizenship and Income• Renegotiated lower CMO rates

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Georgia Medicaid and PeachCare for Kids™ Budget

In addition to administrative budget reductions across all state agencies, there is also a directed 5 percent state reduction in the Medicaid and PeachCare for Kids™ program which amounts to \$113.8 million a year.

State Fiscal Year 2010 is further complicated by the October 2009 effective date of the federal law change regarding Medicaid fees as directed by the Deficit Reduction Act of 2005. Georgia Medicaid and 14 other states use federally approved fees to generate state funds used to draw down federally matching funds for use in the Medicaid and PeachCare for Kids™ programs.

Georgia now requires its three Medicaid contracted managed care plans to pay a fee to the state, which generates \$90 million in federal funds for Medicaid. The federal law change that becomes effective in October 2009 requires that any state that continues to use the Managed Care Fee must apply it across managed care health insurance companies in general – not just those contracting with Medicaid. Exempted from the managed care fee are Medicare plans and employer self insured plans.

The option of not complying and opting to forgo an additional \$90 million in addition to the \$113.8 million would result in a Medicaid and PeachCare for Kids™ program deficit of \$203 million in state funds. Not even the most draconian program cuts to eligibility, benefits and provider payment could sufficiently cover this magnitude of loss.

The expansion of the Managed Care Fee is directed and authorized by the Deficit Reduction Act of 2005. Under this act the maximum fee rate that a state may apply is 5.5 percent. It is also stated in the Tax Relief and Health Act of 2006. The U.S. Department of Health and Human Services published its final rule in February 2008. Georgia state law from 2005 references the state's intent to comply with the federal law.

DCH has two options for Georgia Medicaid in FY 2010:

- Continue the use of the Managed Care Fee in compliance with the federal law change. Applying a Managed Care Fee of 3 percent covers both the revenue previously provided by the contracted Medicaid plans plus the directed budget reductions necessitated by declining state revenues. The Managed Care Fee would be applied to Medicaid contracted managed care plans and commercial plans except those in Medicare, self-insured, PPO plans, and the State Health Benefit Plan
- Make tremendous and detrimental cuts to the Medicaid and PeachCare for Kids™ programs during a time of economic downturn and anticipated public need and still not be able to completely cover the deficit



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○ The Georgia Department of Community Health's Budget Recommendation

The Department is proposing the following:

- Keep the Medicaid and PeachCare for Kids™ programs available to families in need
- Implement the Managed Care Fee change in compliance with the federal law and ensure financial solvency of the health care safety net in FY 2010
- Work with determination, commitment and urgency to transform health care delivery and develop an actual health care system in collaboration with our state and national health care leaders

THE IMPACT OF LOSING MANAGED CARE FEE

PROGRAM/SERVICE	PEOPLE EFFECTED
• Suspend implementation of Chafee Option for foster care children ages 19-20 scheduled for October 2008	604 foster care children
• Delay implementation of 75 new Independent Care Waiver Program slots until January 1, 2009	75 individuals with profound disabilities
• Eliminate Medically Needy Category of eligibility in Medicaid which covers disabled individuals and families otherwise not eligible for Medicaid except for the receipt of a catastrophic medical bill. The majority of these claims are paid to hospital systems. Elimination of the category of eligibility would result in hospitals such as Grady being significantly adversely impacted	11,013* medically needy members
• Eliminate Katie Beckett category of eligibility	3,087* children with profound special needs
• Eliminate PeachCare for Kids coverage for members between 200% and 235% FPL	23,625 children in working families
TOTAL = 38,404	

ELIGIBLE BUT UNINSURED PEOPLE IMPACTED

- 133,383 of children estimated in Georgia eligible but not receiving Medicaid or PeachCare for Kids
- 9,242 children currently not covered that would lose potential eligibility due to a possible FPL reduction in PeachCare for Kids

ELIGIBLE BUT UNINSURED TOTAL = 133,383**

* Data drawn from May eligibility to account for retro enrollment

** Estimated uninsured data was collected from Georgia State University using the Georgia Population Survey